

Kiwa Teknologisk Institutt as

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Board of Directors Report 2018

Board of Directors Report for 2018

(Numbers in brackets refers to 2017)

Kiwa is a world top 20 leader in Testing, Inspections & Certification (TIC). TIC activities are supported by training, technology and data services. Kiwa has approximately 4 500 employees, Head office is in the Netherlands and the group is present in approximately 35 countries. Kiwa's mission is to create trust by making quality, safety and sustainability of products, services and organizations more transparent.

Kiwa Teknologisk Institutt as (Kiwa TI) and its daughter companies represents and supports Kiwa's mission in the Norwegian market.

In Norway the services are divided into 4 main business segments:

- Testing and calibration
- Inspection
- Certification
- Training

Kiwa Teknologisk Institutt as (Kiwa TI) has 4 fully owned daughter companies; Kiwa Teknologisk Institutt Sertifisering as (Kiwa TIS), Teknologisk Lab Stockholm AB (TLS), Kiwa Inspecta AS (Kiwa I) and Kiwa Inspecta Holding AS (Kiwa IH). Kiwa I and Kiwa IH were acquired October 1. 2017. The 2 companies are incorporated in Group figures from Q4 2017. 100% of the shares in Kiwa TI are owned by Kiwa International BV.

Kiwa TI headquarter is located at Økern in Oslo, and the company mainly provides services to the Norwegian market.

Over the last few years, contraction in the oil and gas market has led to reduced revenues in the parent company as well as Kiwa Inspecta. Cost-cutting initiatives were executed in line with falling revenue, and growth initiatives to enter new market segments were intensified. A slight recovery in the oil and gas market was seen towards the end of 2018, although prices were still under pressure.

Financial performance

The Board confirms that going concern assumptions apply, and that the financial statements have been prepared on this basis.

The Group achieved revenues for 2018 of 285,6 MNOK (252,9 MNOK), the increase being impacted by full year effect from the acquisition of Kiwa Inspecta. Revenues for the parent company Kiwa Teknologisk Institutt as were 160,0 MNOK (171,3 MNOK), the drop from 2017 is mainly due to the challenging market situation within oil and gas. The operating result of the Group is 4,5 MNOK (6,7 MNOK) whereas parent company results are -0,5 MNOK (-0,3 MNOK).

In addition to cashflow from operations, the Group is financed through participation in the international Kiwa Group cash pool.

Other equity for the Group is 45,4 MNOK (36,6 MNOK).

After annual result the equity ratio of the Group is 40,4% (34,3%) and of the Parent Company 59,8% (57,6%).

There are no material events after the balance sheet date affecting the 2018 financial statements.

For further financial details please refer Profit and Loss Account, Balance Sheet and Cash Flow Statement with notes as part of the annual report.

The Board propose to transfer the profit for the year to other equity.

Financial risk

By the end of 2018 the Group had 71,4 MNOK deposit in Kiwa Group international cash pool. The Group has no debt to other credit institutions.

Risk related to accounts receivable are limited by credit rating procedures and proactive collection of overdue receivables.

Operational risk

Operational risk in the Group is related to market development, competition and operational cost levels. Many services delivered are dependent on external certifications and approvals. Frequent internal audits and annual external audits limit the risk of losing these critical approvals.

The Groups services are highly dependent on well qualified employees and attracting the right talents can often be challenging. The Group therefore works proactively and long term to retain and attract people with relevant competence.

Work environment

By end of 2018 the Group had 188 employees at 9 locations. Oslo, Kongsberg, Haugesund, Stavanger, Ågotnes, Trondheim, Rygge, Tønsberg, and Gøteborg.

54% of the employees had education on a bachelor level or higher.

Sick leave in the Group was 4% in 2018, which is an improvement from 2017 when the absence was 4,4%. The company takes part in the agreement Inclusive Working Conditions (IA-bedrift). Long-term absence has been reviewed, and there are no factors that clearly relates the long-term absence to the company or the working environment.

There have not been any injuries in the workplace during the year. The Board considers the working environment to be good.

Equality

Of the 188 employees, 60 are women. The Group management team consists of 8 persons, 4 women and 4 men. The board of directors has 3 women and 3 men. Kiwa wishes to increase the number of women in managerial and technical positions.

Cashflow

Net cashflow from operations equals 7,3 MNOK (4,6 MNOK) in Kiwa TI and 26,6 MNOK (-1,2 MNOK) in the Group. Net cashflow from investing activities sums up to -1,4 MNOK (-3,7 MNOK) in Kiwa TI and -2,1 MNOK (10,2 MNOK) in the Group. Cashflow from financing activities equal -6,0 MNOK in Kiwa TI (-1,6 MNOK) and -37,6 MNOK (4,3 MNOK) in Group. Net Cashflow 31.12.18 sums up to 1,1 MNOK (1,3 MNOK) in Kiwa TI and 10,5 MNOK (23,7 MNOK) in the Group.

Environment

Kiwa TI and Kiwa I are certified according to ISO 14001 and Kiwa TIS is accredited according to ISO 17021 to certify companies according to ISO 14001. The companies within the Group are recycling waste and focus on reducing CO2 emissions and energy consumption.

Kiwa believes to have highest positive impact on the environment by influencing customer behavior through related training, advisory and certification services.

Outlook

Kiwa has a strong position in the Norwegian TIC market. The general outlook for the Norwegian industry is good, and the Board believes that Kiwa is well positioned to strengthen the position as a provider of TIC services in new industry segments such as construction, infrastructure and aquaculture. The oil and gas market is recovering gradually, although strong competition and pressure on pricing is expected to continue. The demand for management systems certification is expected to remain high as new ISO standards are being introduced.

The Board believes that the Groups performance in 2018, with a very challenging market situation, demonstrates that the company has responded well to the challenges posed throughout the year. The company will continue to seek opportunities for growth and realize further commercial and operational synergies from the integration of Kiwa Inspecta and cooperation with other parts of the Kiwa internationally.

Oslo, April 3. 2019

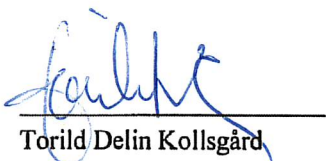


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